

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**Community Development Section****State CDBG Program**

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**CDBG****Community Development Block Grant Program****MANAGEMENT MEMORANDUM****Memorandum Number: 03-11****TO: All Eligible Jurisdictions and Interested Parties****DATE: November 10, 2003****SUBJECT: Changes in CDBG Program Income (PI) Policies, Consisting of:**

- 1) Curtailment of Amending PI-funded Activities into Open CDBG Grants**
- 2) Curtailment of Deduction of "Cost of Collection of the Revenue"**
- 3) New Policy on Transfers Between RLAs**
- 4) Transmittal of Revised Quarterly and Annual PI Report Forms**

Purpose of this Memo

This memo conveys new State CDBG Program policies for Program Income. This management memo also transmits revised Quarterly and Annual Program Income Report forms for use beginning October 1, 2003.

1) Curtailment of Amending Additional PI Activities into Open CDBG Grants

Beginning on January 1, 2004 no additional requests to amend PI funded activities into open CDBG grants will be considered. This new policy will bring the State into compliance with federal PI policies and requirements.

Existing Policy:

Existing policy is to allow State CDBG Grantees the option of amending any of its open CDBG grants to add one or more additional activities that are funded solely with PI. Current requirements are that the grantee must have described this mechanism in its PI Reuse Plan, that such PI-funded activities meet CDBG requirements, that advance HCD approval is obtained, and the activity is completed during the grant term.

New Policy:

Beginning on January 1, 2004 the Department will no longer consider requests to amend open grants to add additional PI-only funded activities (activities that are not approved for grant funding). The next time the jurisdiction is required to submit a program income reuse plan for approval it will be required to reflect this policy change in the reuse plan.

2) Curtailment of Deduction of "Cost of Collection of the Revenue"

Effective immediately grantees will no longer be allowed to deduct costs of collection of the revenue from gross PI to determine net PI, except as allowed by federal regulations.

Existing Policy:

Existing policy is to allow State CDBG Grantees to deduct from gross program revenue

the cost of collecting the revenue to determine the net program revenue received, regardless of the activity.

New Policy:

Effective beginning with the second quarter of the 2003-04 program year (October 1, 2003 through December 31, 2003), State CDBG grantees will no longer be allowed to deduct costs of collection of the revenue from gross program revenue to determine the net program revenue. The following two exceptions to this rule are allowed by federal regulation 24 CFR 570.489(e)(iii) and (e)(iv):

(e) Program income. ...Program income includes, but is not limited to, the following:

(iii) Gross income from the use or rental of real or personal property acquired by the unit of general local government or a subrecipient of a unit of general local government with CDBG funds; *less the costs incidental to the generation of the income;*

(IV) Gross income from the use or rental of real property owned by the unit of general local government or a subrecipient of a unit of general local government, that was constructed or improved with CDBG funds, *less the costs incidental to the generation of the income;*

Please note that the above exception does not include deductions for the costs of collecting (v) *Payments of principal and interest on loans using CDBG funds*, which is the primary source of State CDBG grantees' program income.

We have made this policy change after seeking and receiving guidance from HUD, and have requested that HUD consider revising this area of the federal regulations to allow costs of collection to be deducted in the future.

3) New Policy on Transfers Between RLAs.

Effective beginning on July 1, 2004, the transfer of program income between RLAs during the program year in the aggregate amount of \$5,000 or less will not be subject to the citizen participation requirement to hold a properly noticed public hearing.

4) Revised Quarterly and Annual Program Income Report Forms.

We have revised Section I of the Quarterly Program Income Report and Sections I and II of the Annual Program Income Report to delete references to deducting (netting out) costs of collection of the revenue. The Quarterly PI Report was significantly revised in the 2003 CDBG Grant Management Manual, but did not include these changes.

Jurisdictions are required to use the revised Quarterly Program Income Report form beginning with the second quarter (October 1, 2003 through December 31, 2003), due January 31, 2004, and the revised Annual Program Income Report beginning with the 2003-2004 program year, due August 15, 2004.

For Further Information:

If you have any questions about these policy changes or the new forms you may contact your General or ED Regional Representative. If you need to know who this representative is please contact the CDBG program Secretary at (916) 263-0485.

ANNUAL PROGRAM INCOME REPORT: Complete the entire form even if your jurisdiction received less than \$25,000 of program revenue during the Program Year.

Heading - The information requested is self-explanatory.

Section I. Summarize the Program Revenue (PR) received from loans made from open and closed CDBG grant proceeds

1. In column A, list the grant number of each CDBG grant that could potentially produce PR.
2. In column B, summarize the amount of PR received under each listed grant.

Section II. Summarize the Program Revenue (PR) received from loans made from Revolving Loan Accounts (RLAs). These are loans that were made from the proceeds of loan repayments.

1. In column A, list each RLA authorized in the jurisdiction's PI Reuse Plan. The RLA names used in this report must reflect the single CDBG activity for which each RLA may be used.
2. In column B, summarize the amount of PR received under each listed RLA.

Section III. Summarize the CDBG Program Revenue (PR).

1. In column A, report the PR from grants (Section I.B).
2. In column B, report the PR from RLAs (Section II.B).
3. In column C, enter the bank interest earned on all PI and/or PR during the Program Year, whether in an RLA or other PI or PR holding account.
4. In column D, sum the total PR (Columns A+B+C)

Section IV. Summarize the disposition of Program Income (PI) for the Program Year. Once the jurisdiction has determined that \$25,000 of PR has been or will be received, then all PR is considered to be PI. Any PI that is not returned to the Department must be either deposited into a revolving loan account (RLA) or be associated with an open CDBG grant.

1. In column A, list all revolving loan accounts (indicating the single activity name of each), and list any CDBG grant numbers to which the jurisdiction has associated any PI received during this report period.
2. In column B, list the corresponding amounts of PI. The Column B Total must equal Section III, Column D.

Section V. Summarize, in detail, expenditures of PI from RLAs for revolving and non-revolving activities.

1. In column A, list the jurisdiction's RLAs by their single activity names.
2. In column B, report the amounts expended for revolving activities for each RLA.
3. In column C, report the amounts expended for non-revolving activities (grants, activity delivery, and general administrative costs including planning activities that are not associated with a CDBG Planning and Technical Assistance grant.) This amount must be 49 percent or less of column D.
5. In column D, report the total amount of PI expended (col. B+C).

Section VI. Summarize, in detail, expenditures of PI committed to any CDBG open grant activities, including PI committed as cash match for CDBG Planning and Technical Assistance grants.

1. In column A, list the open CDBG grant to which the PI was committed.
2. In column B, list the abbreviated name and activity code of the single CDBG activity for which these funds have been committed. You may obtain the activity code from your State CDBG or EDBG Representative. Include activity delivery funds with the main activity, except for housing

rehabilitation activity delivery, which has its own code. General Admin. has its own code, and planning has its own code.

3. In column C, list the total PI that has been committed to the activity in all years.
4. In column D, list the amount of PI that was previously expended on the activities under this grant.
5. In column E, list the amount of PI that has been expended on the activity.
6. In column F, list the amount of committed PI not yet expended for the activity.

Section VII. Summarize the jurisdiction's administrative expenditures.

1. In column A, summarize the total amount of PI expended during the report period, as instructed.
2. In column B, summarize the PI-funded general administrative (GA) expenditures, including any planning activity costs, or match for CDBG Planning and Technical Assistance Grants, for the Program Year. The amount reported in this field should consist only of any GA expenditures from within the amounts reported in Section V.C and Section VI.E.
3. In column C, calculate the percentage of total PI expenditures that were used for administration.

NOTE: Funds expended for general administration are limited to 18% of total PI expenditures for the year, and may come from RLAs as part of the 49% allowed for non-revolving expenditures, and/or may come out of the amounts committed to open grants. We recommend limiting general administration expenditures to 18 percent of the total expenditures from each such source, each year.

Section VIII. Summarize the Revolving Loan Account (RLA) Balances.

1. In column A, list the single activity names of all of the jurisdiction's RLAs.
2. In column B, list the beginning balance of the RLA. The beginning balance should be the ending balance reported on the previous year's Annual PI Report.
3. In column C, list the amount of PI that was deposited into each RLA (from Section IV., Column B.) during the reporting period.
4. In column D, list the amounts expended during the Program Year from each RLA.
5. In column E, list amounts transferred from (-) one RLA and into (+) another RLA, and/or transfers from RLAs to open CDBG grants. In Section X, explain purposes and amounts of all transfers.
6. In column F, calculate the ending balance for each RLA.

Section IX. Summarize fourth quarterly PI expenditures from the RLAs.

1. In column A, list the names of all of the jurisdiction's RLAs.
2. In column B, summarize the fourth quarter (April 1 to June 30) expenditures for each RLA.

NOTE: Amounts reported in Sections I to IX should agree with the official accounting records.

Section X. Add your comments to explain situations that do not fit within the format of this form. Examples are, excess PI on hand, negative balances, and transfers of funds between accounts.

Section XI. The jurisdiction will provide this certification that the report is accurate and that all PI was expended for CDBG eligible activities that addressed a national objective. This form should be signed by someone who is a superior of the Preparer – usually the same person who signs CDBG Funds Requests.

Jurisdiction Name: _____

State of California, Department of Housing & Community Development

Community Development Block Grant Program

☐ Original Submittal

ANNUAL PROGRAM INCOME REPORT

☐ Revised Submittal

Report Period: July 1, 200__ to June 30, 200__

Report Prepared By: _____ Date of Reuse Plan Approval Letter from HCD: _____

Telephone Number: _____; Email Address: _____

SECTION I. PROGRAM REVENUE FROM PROJECTS FUNDED DIRECTLY FROM CDBG GRANTS

A. CDBG Grant Number	B. Program Revenue Received ⁽¹⁾⁽²⁾
1.	\$
2.	\$
3.	\$
4.	\$
5.	\$
6.	\$
TOTAL:	\$

SECTION II. PROGRAM REVENUE FROM PROJECTS FUNDED DIRECTLY FROM REVOLVING LOAN ACCOUNTS (RLAs)

A. RLA Single Activity Name (List All)	B. Program Revenue Received ⁽¹⁾⁽²⁾
1.	\$
2.	\$
3.	\$
TOTAL:	\$

(1) As of October 1, 2004, costs of collection of loan payments may no longer be deducted to determine the amount of program revenue.

(2) Report all program revenue received in accordance with 24 CFR 570.489(e).

SECTION III. TOTAL PROGRAM REVENUE

A. Program Revenue Received from <u>Grants</u> (Section I.B or D.)	B. Program Revenue Received from <u>RLAs</u> (Section II.B or D.)	C. Total Bank Acct. Interest Earned	D. Total Prog. Rev. (Cols. A+B+C)
\$	\$	\$	\$

SECTION IV. DISPOSITION OF THIS PERIOD'S PROGRAM INCOME

A. Where Was the PI Placed? (RLA Name, or Grant No.)	B. Amount ⁽³⁾
1.	\$
2.	\$
3.	\$
4.	\$
5.	\$
TOTAL:	\$

(3) Total must equal Section III.D. In Section X, explain the specific use(s) of funds committed to open grants in FY.

SECTION V. ACTUAL EXPENDITURES OF PI FROM RLAs

A. RLA Name (List All)	B. PI Expended for Revolving Activities⁽⁴⁾	C. PI Expended for Non- Revolving Activities⁽⁵⁾	D. Total PI Expended (Columns B + C)
1.	\$	\$	\$
2.	\$	\$	\$
3.	\$	\$	\$
TOTAL:	\$	\$	\$

(4) At least 51% of PI disbursed during FY must be for revolving (lending) activities.

(5) For each RLA up to 49% of PI disbursed during FY can be for non-revolving activities. For each RLA, Column C cannot exceed 49 percent of Column D.

SECTION VI. ACTUAL EXPENDITURES OF PI COMMITTED TO CDBG GRANT ACTIVITIES⁽⁶⁾

A. CDBG Grant Number (May list a grant number more than once)	B. Abbreviated Name and Code of Single CDBG Activity	C. Total PI Committed to this Activity	D. Expended Previously	E. Expended this Program Year	F. Un- Expended Balance (Col. C.-D.-E.)
1.		\$	\$	\$	\$
2.		\$	\$	\$	\$
3.		\$	\$	\$	\$
4.		\$	\$	\$	\$
5.		\$	\$	\$	\$
6.		\$	\$	\$	\$
7.		\$	\$	\$	\$
TOTAL:		\$	\$	\$	\$

(6) The amounts reported in this section must also be reported on, and balance with, the CDBG Funds Request forms for each grant. Column C includes amounts from Section IV, Section VIII.E, and prior year commitments, as applicable.

SECTION VII. ADMINISTRATIVE EXPENDITURES

A. Total PI Expended (Section V.D. + VI.E)	B. Amount Expended for General Administration, Including Planning Activities	C. Percent⁽⁷⁾ (B.÷A.)
\$	\$	%

(7) Cannot exceed 18%

SECTION VIII. RLA BALANCES

A. RLA Name (List All)	B. Beginning Balance⁽⁸⁾	C. Total PI Deposited (Sec. IV, Col. B)	D. Tot. PI Expended (Sec. V., Col. D)	E. Transfers Between RLAs⁽⁹⁾ or To a CDBG Grant⁽¹⁰⁾	F. Ending Balance (Cols. B+C- D+E)⁽¹¹⁾
1.	\$	\$	\$	\$	\$
2.	\$	\$	\$	\$	\$
3.	\$	\$	\$	\$	\$
TOTAL:	\$	\$	\$	\$	\$

(8) The beginning balance is the ending balance from the previous year's Annual PI Report. In Section X explain negative RLA balances.

(9) Transfers of funds between RLAs must be preceded by a properly noticed CDBG citizen participation public hearing, and should net zero. Show +/- and include an explanation of such transfers in Section X, Comments.

(10) Show with a minus sign, include in Section VI.C. In Section X, explain purposes and amounts transferred to open grants in FY.

(11) In Section X, explain any RLA balances that are negative, or are larger than one unit of delivery for that RLA.

SECTION IX. FOURTH QUARTER PI EXPENDITURES FROM RLAs	
A. RLA Name (List All)	B. Expenditures, Fourth Quarter Only ⁽¹²⁾
1.	\$
2.	\$
3.	\$
TOTAL:	\$

(12) Complete this table for the fourth quarter (April 1 to June 30) of the FY only. Do not complete a separate Quarterly PI Report for the fourth quarter.

[illegible]

(13) Explain situations noted in footnotes 9, 10 or 11, plus any other factors necessary for understanding your report.

SECTION XI. GRANTEE CERTIFICATION OF REPORT	
This certification indicates that this report is true in all respects and that all program income expenditures were for CDBG-eligible activities that addressed CDBG national objectives, and Department approval was obtained in advance.	
Authorized Signature:	Title:
Print Name:	Date:

This certification indicates that this report is true in all respects and that all program income expenditures were for CDBG-eligible activities that addressed CDBG national objectives, and Department approval was obtained in advance.

Title:

Date:

QUARTERLY PROGRAM INCOME REPORT: Complete the entire form each report period.

Heading - The information requested is self-explanatory except for “Report Period.” On this line, please insert the applicable quarter’s beginning and ending dates, as follows: July 1 to September 30; October 1 to December 31; or January 1 to March 31, including the year. This report is **not** required for April to June.

Section I. Summarize the CDBG Program Revenue (PR) received during the reporting period. Once the jurisdiction has determined that \$25,000 of PR has been or will be received, then all PR is considered to be PI. PI can only be expended in conjunction with a CDBG-funded open grant activity, deposited into and expended through a revolving loan account, or returned to the Department.

1. In column A, summarize the PR received from loans made from CDBG grants.
2. In column B, summarize the PR received from loans made from RLAs (re-lent funds)
3. In column C, total the two sources to determine total PR.

Section II. Summarize, in detail, expenditures of PI committed to any CDBG open grant activities, including PI committed as cash match for CDBG Planning and Technical Assistance grants.

1. In column A, list the open CDBG grant to which the PI was committed.
2. In column B, list the abbreviated name and the activity code of the single CDBG activity for which these funds have been committed. You may obtain the activity code from your State CDBG or EDBG Representative. Include activity delivery funds with the main activity, except for housing rehabilitation activity delivery, which has its own code. General Admin. has its own code, and planning has its own code.
3. In column C, list the total PI that has been committed to the activity in all years. Do not continue to report these amounts in Section III.
4. In column D, list the amount of PI that was previously expended on the activities under this grant.
5. In column E, list the amount of PI that was expended on the activity during this reporting period.
6. In column F, list the amount of committed PI not yet expended for the activity.

Section III. Summarize the Revolving Loan Account (RLA) Balances.

1. In column A, list the single activity names of all of the jurisdiction’s RLAs.
2. In column B, list the beginning balance of the RLA. The beginning balance should be the ending balance reported on the most recent PI Report, whether Annual or Quarterly.
3. In column C, list the amount of PI that was deposited into each RLA during the reporting period.
4. In column D, list the amount of PI that was expended from each RLA during the reporting period. Do not include the expenditure of PI committed to open grants as reported in Section II.
5. In column E, list amounts transferred from (-) one RLA and into (+) another RLA, and/or transfers from RLAs to open CDBG grants during the reporting period. In Section IV, explain purposes and amounts of all transfers.
6. In column F, calculate the ending balance for each RLA.

Section IV. Provide comments on additional information that the Department will need to understand in order to analyze your report, such as the nature of any transfers between accounts, any negative balances, and the reason for any high account ending balances.

Section V. The jurisdiction will provide this certification that the report is accurate and that all PI was expended for CDBG eligible activities that addressed a national objective. This form should be signed by someone who is a superior of the Preparer – usually the same person who signs CDBG Funds Requests.

State of California, Department of Housing & Community Development

Community Development Block Grant Program

QUARTERLY PROGRAM INCOME REPORT

☐ Original Submittal☐ Revised Submittal

Jurisdiction: _____ Report Period: _____ to _____

Report Prepared By: _____ Date of Reuse Plan Approval Letter from HCD: _____

Telephone Number: _____; Email Address: _____

SECTION I. PROGRAM REVENUE FOR THE QUARTER

A. From Grant Loans⁽¹⁾	B. From RLA Loans⁽¹⁾	C. Total
\$	\$	\$

(1) As of October 1, 2003, costs of collection of loan payments may no longer be deducted to determine the amount of program revenue. Report all program revenue received in accordance with 24 CFR 570.489(e).

SECTION II. ACTUAL EXPENDITURE OF PI COMMITTED TO OPEN CDBG GRANTS⁽²⁾

A. CDBG Grant No. (May list a grant number more than once)	B. Abbreviated Name and Code of Single CDBG Activity	C. Total PI Committed to this Activity	D. Expended Previously	E. Expended This Quarter	F. Un- Expended Balance (Col. C.-D.-E.)
1.		\$	\$	\$	\$
2.		\$	\$	\$	\$
3.		\$	\$	\$	\$
4.		\$	\$	\$	\$
TOTAL:		\$	\$	\$	\$

(2) The amounts reported in this section must also be reported on, and balance with, the CDBG Funds Request forms for each grant. Column C may include amounts from Section I, Section III.E, and/or any prior period commitments, as applicable.

SECTION III. RLA BALANCES

A. RLA Name Single Activity (List All)	B. Beginning Balance⁽³⁾	C. Total PI Deposited This Quarter	D. Total PI Expended This Quarter	E. Transfers Between RLAs⁽⁴⁾ or To an Open Grant⁽⁵⁾	F. Ending Balance (Cols. B+C- D+E)⁽⁶⁾
1.	\$	\$	\$	\$	\$
2.	\$	\$	\$	\$	\$
3.	\$	\$	\$	\$	\$
TOTAL:	\$	\$	\$	\$	\$

(3) The Beginning Balance is the Ending Balance reported on the most recent previous PI Report, whether Annual or Quarterly.

(4) Transfers of funds between RLAs must be preceded by a properly noticed CDBG citizen participation public hearing, and should net zero. Show +/- and include an explanation of such transfers in Comments.

(5) Show with a minus sign, include in Section II.C. In Comments explain purposes and amounts transferred to open CDBG grants in period.

(6) In Section IV, explain any RLA balances that are negative, or are larger than one unit of delivery for that RLA.

SECTION IV. COMMENTS**SECTION V. GRANTEE CERTIFICATION OF REPORT**

This certification indicates that this report is true in all respects and that all program income expenditures were for CDBG-eligible activities that addressed a national objective, and Department approval was obtained in advance.

Authorized Signature: _____

Title: _____

Print Name:

Date: